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Department of State
April 26, 2006
House Committee on International Relations
Subcommittee on the Western Hemisphere

Mr. Chairman, members of the Subcommittee, thank you for the opportunity to meet with you today to discuss our relations with Mexico. Despite some perceptions to the contrary, the real story of the United States and Mexico is marked by excellent relations and bilateral cooperation in the pursuit of a shared security and prosperity.

Mexico is a country with enormous and growing strategic significance for the United States. Mexico is our second largest trading partner and our third largest source of imported petroleum. Our border is one of the busiest in the world in terms of commercial exchange and personal traffic. Our economies and trade, public health, the environment, law enforcement and national security are intertwined to a degree few of us realize. Our peoples and governments now share a commitment to democratic values that has helped make Mexico a partner in the hemisphere.

The first foreign leader President Bush met with after assuming office was President Fox of Mexico. Through the fundamental changes the world has gone through since then, Presidents Bush and Fox have continued to meet frequently, most recently last month in Cancun, along with Canadian Prime Minister Harper, in the framework of the trilateral Security and Prosperity Partnership. Security and prosperity are the watchwords of our relations with Mexico. These two objectives are increasingly a shared agenda for all three partners in North America.

Our relationship is entering the final year of President Fox's administration. His government has been a valued partner of the United States. We have had better relations with Mexico under his administration than under any previous Mexican government. This is in no small part due to President Fox's own democratic convictions. His election to the Presidency in 2000 marked the end of more than 70 years of one-party rule in Mexico. Under his leadership, we have seen the strengthening of Mexico's political and law enforcement institutions, the introduction of unprecedented transparency and accountability in government institutions, and improved respect for human rights. His administration has

pursued sound economic policies that have brought economic stability, a stable currency, low inflation, increased employment, an expanded middle class, and special help for the most disadvantaged.

In the Hemisphere, we share with Mexico a vision governed by the values of liberty, open markets, free trade, and strong institutions guaranteeing these values. I know you will recall how President Fox, at the Summit of the Americas, courageously defended free trade in the Americas. The Government of Mexico has also stood up for democratic values in multilateral institutions such as the OAS and the UN. President Fox will bequeath to his successor a Mexico that is more democratic, more prosperous, and more economically stable than the Mexico of the past.

Mexico will hold presidential and congressional elections July 2, and there is much interest in who Mexico's next president will be and whether our bilateral relations will change. We have full confidence in the ability of Mexico's electoral institutions to conduct free and fair elections. These institutions have an established track record going back to the monumental presidential election of 2000 and earlier. As to the campaign and on the outcome of the election itself, we are taking a neutral posture. We have no doubt we will be able to work cooperatively with the next Mexican president – whoever that may be – on our long-established shared agenda.

The advances we have seen in our ties with Mexico were reflected in two recent high level meetings. The twenty-second U.S.-Mexico Binational Commission meeting is an annual meeting at cabinet secretary level chaired by the Secretary of State and the Mexican Secretary of Foreign Relations, and is held alternately in each capital. The Binational Commission that Secretary Rice and her Mexican counterpart, Secretary Derbez, hosted in Washington March 24, underscored cooperative efforts over the entire range of our relations. That meeting renewed our joint commitment to ensure the safety and security of our common border, reconfirmed bilateral law enforcement efforts, especially along the border, and our efforts to return criminal fugitives to justice across the border in both directions. The Binational Commission reaffirmed commitments to a series of cooperative programs in good governance, environmental protection, and the regional energy integration effort that Mexico has initiated in Central America. The Binational Commission meeting sends a strong signal that the U.S. – Mexico partnership that inspired NAFTA continues to deepen our economic integration, strengthen the security of our citizens, and provide a model of freedom and opportunity for the Hemisphere and the world.

Our relations with Mexico are increasingly linked with Canada, as we all share a continued commitment to enhance the security, prosperity, and quality of life of our citizens within North America. The Security and Prosperity Partnership of North America, or SPP, provides a framework for us to advance collaboration in areas as diverse as security, transportation, the environment and public health. This Partnership has increased our institutional contacts to respond to our vision of a stronger, more secure, and more prosperous region. In June 2005, the three governments published an ambitious agenda for collaboration. The SPP celebrated its first anniversary last month, at the meeting in Cancun. The leaders reviewed the progress made on the SPP agenda, and directed their minister to move forward on the agenda. The leaders also agreed on initiatives to strengthen competitiveness in North America, cooperate on managing the threat of avian and pandemic influenza, collaborate on energy security, develop a common approach to natural and manmade disasters, and work toward smart and secure borders. Together, these steps aim to coordinate approaches to sharpening the competitiveness that our countries' economies depend upon, and addressing security vulnerabilities that could threaten that prosperity.

In that same trilateral framework, free trade in North America anchored in NAFTA remains the foundation of our shared prosperity. Since that treaty went into effect in 1994, trade between the United States and Mexico has almost quadrupled from \$81 billion in 1993 to \$292 billion in 2005. Reforms that Mexico enacted for NAFTA are a key reason why Mexico weathered the financial turmoil that affected many developing countries in the late 1990s. NAFTA has also provided the stability needed for investment in Mexico. Foreign direct investment in Mexico from 1994-2005 exceeded \$100 billion, 62 percent of which came from the United States. That represents a more than fifty-fold increase over the span of the treaty thus far. Over 2,600 U.S. firms have an important presence in Mexico. One such company, Wal-Mart, is the second largest private sector employer in the country, with more than 112,000 Mexican employees on its payroll. By consolidating Mexico's economic reforms into an international agreement, NAFTA is helping Mexico build a stable, efficient and predictable economic system that is the foundation for sustained growth and broad-based prosperity.

Facilitating the secure flow of goods and people across our shared border is one of the greatest challenges before us today. We have worked closely with Mexico to create institutions and infrastructure to enhance border security while making border transit easier and quicker. The U.S.-Mexico Border Partnership,

established by agreement of Presidents Bush and Fox in 2002 and now largely incorporated into the SPP, continues to pursue the three-fold goals of a secure transborder infrastructure while also facilitating the efficient flow of goods and people. That program has established SENTRI lanes (Secure Electronic Network for Rapid Travelers Inspection) at six ports of entry to ensure expedited crossings for identified low risk travelers. A similar program of FAST lanes (Free and Secure Trade) for cargo shipments provides expedited border crossing for cargo from participating companies who have demonstrated that their facilities are secure and their shipments low-risk. It is clear that with more than 1 million legal crossings every day on our southern border, more must be done to make those crossings swifter and safer, and we are committed to doing even more to achieve that goal.

The Mexican Government works closely with the United States on all aspects of counterterrorism security and prevention. In particular, Mexico has been very helpful flagging, monitoring and controlling flights to or over the United States that may have raised terrorism concerns.

A National Security Law that took effect in Mexico in January 2005 established a National Security Council to improve military, intelligence, immigration and civilian law enforcement cooperation on security issues, including terrorism. The law also established a National Security Commission in the congress. Legislation criminalizing the financing of terrorist organizations awaits conclusive action in the legislature in 2006.

While we have had very good cooperation from our Mexican partners for the past several years in many areas, there are still many challenges. These issues have deep roots and go back many years. Many of them stem from the fact that such a long and busy border inevitably becomes the focus not only of legitimate trade and tourism but also of crime and lawbreaking.

Our border region, particularly on the Mexican side, has also been the scene of increased crime and violence, largely due to the activities of narco-trafficking organizations. These criminal groups are reacting to increased law enforcement pressure and arrests from the United States and Mexico. DHS, which has overall responsibility for patrolling and securing our border, can provide the details of the border security situation. However, the Mexican government has made a sincere effort to attack this problem on its side, for example, by sending in military and federal police forces to take temporary control over security and to purge and revamp local police forces in areas where the violence is acute, such as Nuevo

Laredo. We are continually extending linkages among our law enforcement agencies along the border deep into the operational level to be able to mount coordinated responses to breaking security events. The latest such effort was the Action Plan signed by Homeland Security Secretary Chertoff with his Mexican counterpart on March 3 in Brownsville, Texas, an agreement that will establish operational protocols to govern coordinated law enforcement action to address security incidents along the border.

The Committee is no doubt aware that unauthorized border incursions have occurred recently and in the past. Most cases of unauthorized border crossings by Mexican or U.S. officials are resolved on the ground at the working level, and are determined to be inadvertent. It is rare that a cross-border incident requires diplomatic intervention by the Department of State. Such an occasion occurred last January, when initial reports indicated that persons dressed in military uniforms crossed the border with Texas to protect a drug shipment, and quickly fled back into Mexico when confronted by local law enforcement. We made an official inquiry with the Government of Mexico via a diplomatic note. The Government replied by informing us that the participants in the January 23 incursion were not members of the Mexican military but known drug traffickers, for whom arrest warrants have been issued, and that an investigation is continuing. Most incursions of this type are not the work of current officials but of criminal organizations smuggling narcotics or people. In this connection, I would also commend the officers of the U.S. Border Patrol for the difficult work they accomplish in protecting the border area and U.S. citizens, often in very dangerous circumstances when confronted by armed and dangerous criminals.

The United States is also committed to assisting in the professionalization of law enforcement and reform of the criminal justice system in Mexico. Last fiscal year, over 2,800 police investigative personnel and prosecutors at the state and federal level were provided specialized training organized by Embassy Mexico City's Narcotics Affairs section. Eight hundred twenty-seven (827) police investigative personnel and prosecutors have received this specialized training so far this fiscal year. Courses have included ethics in government, management and supervision, criminal investigations, white collar crime investigations, anti-corruption, interviewing techniques, and "train the trainer" courses. The training has become more specialized as our Embassy begins more "train the trainer" programs for more Mexican Police Academy instructors.

USAID is also providing assistance in revamping the criminal justice system in six Mexican states, replacing the old inquisitorial system based on written

procedure with an oral, adversarial system more in keeping with democratic practice and a modern society. We are gratified that a number of Mexican states are clamoring for such reform, recognizing that it will provide more swift and equitable justice for all, as well as a more level playing field for investors and businesspeople, thereby stimulating economic development. However, that assistance program will be curtailed this year due to the Foreign Operations, Export Financing, and Related Programs Appropriations Act for FY '05 and '06 (the "Nethercutt amendment") that prohibits the use of Fiscal Year 2006 Economic Support Funds for assistance to the government of a country that is party to the Rome Statute and has not entered into a bilateral Article 98 agreement with the United States. Mexico became a member of the International Criminal Court (ICC) in October of last year, and has told us it will not enter into an Article 98 agreement. Additionally, Mexico's accession to the ICC absent an Article 98 agreement subjects Mexico to the American Servicemembers' Protection Act (ASPA) of 2002, which prohibits certain forms of military assistance – International Military Education and Training Program (IMET), Foreign Military Financing (FMF), and grant Excess Defense Articles (EDA) – to countries that are parties to the Rome Statute. As a result of ASPA restrictions on security assistance, we have halted IMET assistance to Mexico's military.

Drug trafficking remains a significant challenge for our two nations, but we are making progress. Mexico remains the source and transit zone for the great bulk of narcotics feeding the drug markets of the United States. The cooperation in counternarcotics and law enforcement from Mexican authorities under President Fox has been unprecedented. From destruction of drug crops to confiscation of drug shipments to disruption of narco-trafficking organizations to hardened border security, Mexico has worked seriously and closely with U.S. authorities to attack the drug problem. To impress upon his government and the Mexican public the seriousness of the problem, President Fox frequently has declared that Mexico is "at war" with narcotics traffickers. He has also worked hard to improve law enforcement capability and capacity and to root out corruption, including by having thousands of Mexican officials at the federal and state level receive training from U.S. authorities. He has increased the number of criminal suspects, including Mexican nationals, extradited to the U.S. to record levels. Mexico's Supreme Court this year eliminated a legal impediment to the extradition of persons to the U.S. who face the possibility of being sentenced to imprisonment for life without parole. And last year, Mexico instituted controls on imports and purchases of precursor chemicals for the production of methamphetamine, a growing menace in the United States.

Yet despite these efforts, we must acknowledge that flows of narcotics from Mexico to the United States continue at a high level. Without these efforts, to be sure, drug flows would have been far greater, but the fact remains that we have a lot of work left to do. In the administration of President Fox, we have a committed partner. The effectiveness of our work with Mexico in recent years has extended our law enforcement ties with Mexico down to the working level at the border, ties that we trust will continue into the next Mexican administration.

There is also the issue of trafficking in persons to the United States through and from Mexico for purposes of sexual and labor exploitation. This has long been a serious problem, but one that Mexico has acknowledged and is working with us to address. Over the last year, Mexico entered into an agreement with USAID and Mexican NGOs that included areas such as protection of victims, and began a program with the Department of Justice to partner with Mexican law enforcement authorities on building capacity for investigations and prosecutions. Mexico has made some progress but has much work to do, including passing a specific trafficking law and prosecuting human traffickers more aggressively.

The topic of immigration looms large in both Mexico and in the United States. The Government of Mexico recognizes, as President Fox said in Cancun, that it shares responsibility for security along the border as an element of the overall migration picture. We at the Department of State follow the immigration reform debate with great interest, and have reiterated to our Mexican interlocutors President Bush's unequivocal support for a comprehensive bill. We also explain to our foreign audiences that this issue is now before the U.S. Congress for legislative action.

In conclusion, I would emphasize how far we have moved ahead with Mexico since the implementation of NAFTA, especially under the Fox administration. We will focus on continuing that progress under the next Mexican administration, which will take office December 2. The issues that both of our countries can address effectively only with the help of the other are vital. They make it imperative that the United States continue to engage Mexico intensively in issues of trade, immigration, law enforcement including border security, and democracy in the hemisphere. We will continue to do this bilaterally and in the North American context with Canada. Our economic prosperity and national security will continue to depend on this.